



# THE CROW'S NEST PASS COAL COMPANY, LIMITED

ESTABLISHED 1897

FERNIE, BRITISH COLUMBIA



SIXTY - SIXTH  
**ANNUAL  
REPORT**

FOR THE YEAR ENDED  
DECEMBER 31st, 1962





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# THE CROW'S NEST PASS COAL COMPANY, LIMITED

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T. G. EWART  
C. A. ECKART  
C. O. JENKS

H. C. JUDD  
C. H. KREIENBAUM  
F. D. PRATT  
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F. D. PRATT ..... First Vice-President  
C. A. ECKART ..... Second Vice-President  
W. R. PRENTICE ..... Secretary  
J. F. CLEEVE ..... Treasurer  
J. E. MORRIS ..... Resident Manager

## Auditors

CLARKSON, GORDON & CO.  
Calgary, Alberta

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CANADA PERMANENT TORONTO GENERAL TRUST COMPANY  
Toronto, Ont.

BANKERS TRUST COMPANY  
New York, N.Y.

## Registrars

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Toronto, Ont.

MANUFACTURERS HANOVER TRUST COMPANY  
New York, N.Y.



# THE CROW'S NEST PASS COAL COMPANY, LIMITED

## REPORT TO THE SHAREHOLDERS

Fernie, British Columbia,

March 29, 1963.

We submit herewith the sixty-sixth Annual Report of your Company for the year ended December 31st, 1962, together with Balance Sheet and Statement of Profit and Loss and Earned Surplus certified by your Auditors, Clarkson, Gordon & Co. For ease of comparison, figures showing the results for 1961 have been included in these statements. A further statement shows the source and application of funds accruing to this company during the year.

### INCOME

The consolidated net profit for the year after provision for taxes, depletion and depreciation was \$508,377 which is a decrease of \$318,981 from the previous year. This decrease in net income was due primarily to the cost of a non-productive oil well on your Company lands near Fernie, and other items of a smaller nature which should be non-recurring. Operating profits, before depreciation, from the production of coal, coke and timber were in line with the previous year. The profit for the year 1962 is equivalent to \$0.65 per share on the \$8.00 par value shares of the company.

### DIVIDENDS

Distributions to shareholders during 1962 were equivalent to 75 cents per share on the \$8 par value shares of the Company. We are informed that under the Income Tax Act, shareholders residing in Canada may not deduct any percentage of the dividends declared and paid in 1962 on account of depletion in computing their income tax returns.

It is the intention of the Board to continue the semi-annual payment of regular dividends on the \$8 par value stock at the annual rate of sixty cents (60¢) per share, supplemented by such extra dividends as may be warranted by the earnings and financial condition of the Company. In accordance with the above policy, an extra dividend of fifteen cents (15¢) per share on the \$8 par value shares was paid on March 15, 1963 to shareholders of record February 20, 1963.

### INVESTMENTS

Your Company, as of the close of business on December 31, 1962, had investments of \$196,000 in Dominion of Canada bonds at varying maturity dates.

Shares of other companies as shown on the Balance Sheet consist of 65,000 shares of the common stock of The Calgary & Edmonton Corporation Limited and 60,000 shares of the common stock of The Granby Mining Company Limited.



# THE CROW'S NEST PASS COAL COMPANY, LIMITED

## CAPITAL EXPENDITURES

The net capital expenditure made by your Company and its wholly-owned subsidiaries during the year amounted to \$1,259,996. Expenditures were incurred primarily for the completion of the new coal preparation facilities, for the acquisition of two mechanized mining units, and for the introduction of additional mechanized methods of operation in the Colliery.

## PRODUCTION

Coal mined amounted to 732,789 tons as compared with 792,050 tons in 1961. Coke produced amounted to 136,124 tons as compared with 140,344 tons in 1961. Lumber sawn amounted to 15,463,727 FBM as compared with 13,178,458 FBM in 1961. Oil production was 224,314 bbls. as compared with 263,877 bbls. in 1961.

## MARKETS

Sales of coal during the year 1962 declined approximately 7½% compared with the previous year. It is anticipated that coal sales for 1963 will be approximately the same as sales for the previous year. Despite a modest reduction in the subvention payable on coal sales to Japan, your Company has concluded sales contracts in the Japanese market for the year commencing April 1, 1963. Coke sales during the year showed a modest decrease, which is expected to be recovered in 1963. Lumber sales increased in 1962 over the previous years, and present sales levels are expected to continue, subject to adverse action by United States authorities.

## OIL DEPARTMENT

Attached to the financial statements is a statistical summary of the oil and gas operations of the Company and its wholly owned subsidiary. This statement also shows annual income from oil and gas operations from inception to 1962.

The B.A.-Crow's Nest well on Company lands near Fernie was abandoned in December 1962 at a depth of 8,451 feet. It was found that the abnormal thickness of the Fernie shales at the well-site prevented the productive horizons being reached, but the geology of the area is being reappraised and the seismic information studied thoroughly.

In addition to the Fernie Basin well, your Company also participated in the drilling of 6 holes. Three of these holes were dry, two are still undergoing stimulation treatment, and one resulted in Cardium production.

## EMPLOYEES

The Wage Agreement between this Company and its employees terminated on July 3, 1962. A new agreement has been signed for a two-year period, whereby employees receive benefits and wage increases equivalent to 5 cents per hour on July 3, 1962 and will receive a further 5 cents per hour on July 3, 1963.



# THE CROW'S NEST PASS COAL COMPANY, LIMITED

## STOCK OPTIONS

During the year options were granted to employees for a total of 2,000 shares at market or bid price of the Toronto Stock Exchange at or nearest the date of the granting of the options.

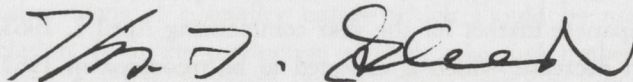
## OPTION - COLUMBIA IRON MINING COMPANY

Your Company has received notification from the Columbia Iron Mining Company that they will not exercise the options which they have on Company lands and facilities. All the results of the exploration undertaken by Columbia have been made available to this Company. These indicate substantial reserves of coal and the geological and detailed studies which have been made will be of great value to the Company's future planning.

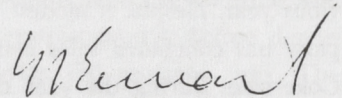
## CONCLUSION

All plants and equipment are being well maintained.

By order of the Board of Directors.



Chairman.



President.



# THE CROW'S NEST PASS COAL COMPANY, LIMITED

## AUDITORS' REPORT

To the Shareholders of  
The Crow's Nest Pass Coal Company, Limited.

We have examined the consolidated balance sheet of The Crow's Nest Pass Coal Company, Limited and its wholly-owned subsidiary companies as at December 31, 1962 and the consolidated statement of profit and loss and earned surplus for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statement of profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of The Crow's Nest Pass Coal Company, Limited and its wholly-owned subsidiary companies at December 31, 1962 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta.  
March 5, 1963.

CLARKSON, GORDON & CO.,  
Chartered Accountants.



# THE CROW'S NEST PASS

(Incorporated under the laws of the Province of Ontario)

AND WHOLLY-OWNED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1962

(with comparative figures for 1961)

## ASSETS

|  | 1962                | 1961                |
|--|---------------------|---------------------|
| <b>CURRENT:</b>  |                     |                     |
| Cash .....   | \$ 912,100          | \$ 529,941          |
| Government of Canada bonds at cost, market value \$188,017<br>(1961 - \$660,609) .....                               | 195,828             | 689,507             |
| Accounts receivable .....  | 957,298             | 1,009,426           |
| Accrued interest receivable .....  | 2,544               | 5,752               |
| Inventories valued at the lower of cost or market .....  | 1,043,301           | 963,163             |
| Prepaid expenses .....   | 34,940              | 34,435              |
| <b>Total current assets .....</b>  | <b>\$ 3,146,011</b> | <b>\$ 3,232,224</b> |
| <b>INVESTMENTS AT COST:</b>  |                     |                     |
| Market value \$2,533,125 (1961 - \$2,086,725) .....  | \$ 1,605,221        | \$ 1,181,658        |
| <b>FIXED — (Notes 1 and 2):</b>  |                     |                     |
| Mines, real estate, plant and equipment less accumulated depreciation<br>of \$12,159,894 (1961 - \$11,557,404) ..... | \$ 4,784,853        | \$ 4,156,397        |
| Petroleum and natural gas interests —  |                     |                     |
| Acquisition cost of properties less depletion of \$121,311<br>(1961 - \$65,081) .....                                | 1,133,634           | 1,187,845           |
| Production equipment less accumulated depreciation of<br>\$496,487 (1961 - \$428,987) .....                          | 656,904             | 713,714             |
| Productive development costs, \$2,033,609 (1961 - \$2,011,581)<br>less amounts written off .....                     | 1                   | 1                   |
| <b>Total fixed assets .....</b>  | <b>\$ 6,575,392</b> | <b>\$ 6,057,957</b> |
| <b>OTHER:</b>  |                     |                     |
| Mortgages receivable .....   | \$ 23,909           | \$ 13,552           |
| Refundable deposits .....  | 123,806             | 120,219             |
| Deferred expenses .....  | 256,807             | 367,663             |
| <b>Total other assets .....</b>  | <b>\$ 404,522</b>   | <b>\$ 501,434</b>   |
| <b>Total assets .....</b>  | <b>\$11,731,146</b> | <b>\$10,973,273</b> |

See accompanying notes to consolidated financial statements



# COAL COMPANY, LIMITED

under the laws of Canada)

## SUBSIDIARY COMPANIES

## BALANCE SHEET

MBER 31, 1962

tive figures for 1961)

### LIABILITIES

|  | 1962                | 1961                |
|--|---------------------|---------------------|
| <b>CURRENT:</b>  |                     |                     |
| Accounts payable and accrued charges .....                     | \$ 657,182          | \$ 682,705          |
| Income and other taxes payable .....                           | 290,054             | 60,952              |
| Dividend payable .....   | —                   | 115,253             |
| Instalments of loan payable due within one year .....          | 150,000             | —                   |
| <b>Total current liabilities .....</b>                         | <b>\$ 1,097,236</b> | <b>\$ 858,910</b>   |
| <b>LOAN PAYABLE (Note 3) .....</b>                             | <b>\$ 300,000</b>   | <b>\$ —</b>         |
| <b>ACCUMULATED TAX REDUCTIONS APPLICABLE TO FUTURE YEARS</b>   |                     |                     |
| (Note 4) .....   | \$ 744,480          | \$ 575,409          |
| <b>SHAREHOLDERS' EQUITY:</b>                                   |                     |                     |
| Capital (Note 5) -   |                     |                     |
| Authorized — 1,250,000 shares of \$8 par value each            |                     |                     |
| Issued — 777,100 shares (1961 - 776,850 shares) .....          | \$ 6,217,667        | \$ 6,215,667        |
| Paid-in surplus .....  | 3,125               | 1,875               |
| Surplus allocated for emergency and capital expenditures ..... | 1,200,000           | 1,200,000           |
| Earned surplus .....   | 2,227,089           | 2,179,863           |
|  | \$ 9,647,881        | \$ 9,597,405        |
| Less shares of parent owned by subsidiaries, at cost .....     | 58,451              | 58,451              |
|  | \$ 9,589,430        | \$ 9,538,954        |
| <b>On behalf of the Board:</b>                                 |                     |                     |
| F. D. PRATT, Director.   |                     |                     |
| C. A. ECKART, Director.  |                     |                     |
|  | <b>\$11,731,146</b> | <b>\$10,973,273</b> |

consolidated financial statements



# THE CROW'S NEST PASS COAL COMPANY, LIMITED

## AND WHOLLY-OWNED SUBSIDIARY COMPANIES

### Consolidated Statement of Profit and Loss and Earned Surplus

FOR THE YEAR ENDED DECEMBER 31, 1962

(with comparative figures for 1961)

|  | 1962                                    | 1961                |
|--|---|---------------------|
| Operating profit before the following deductions .....     | \$ 2,193,436                            | \$ 2,207,481        |
| Executive Officers' salaries .....                         | 79,133                                  | 85,417              |
| Counsel and legal fees .....                               | 14,949                                  | 58,296              |
| Directors' fees .....                                      | 10,000                                  | 4,000               |
| Depreciation and depletion .....                           | 744,580                                 | 569,044             |
| Exploration and development expenditures written off ..... | 298,936                                 | 92,804              |
|  | <u>\$ 1,147,598</u>                     | <u>\$ 809,561</u>   |
| Operating profit .....                                     | \$ 1,045,838                            | \$ 1,397,920        |
| Interest and other income .....                            | 17,124                                  | 117,803             |
|  | <u>Profit before income taxes .....</u> | <u>\$ 1,515,723</u> |
| Income taxes (Note 4) .....                                | 554,585                                 | 688,365             |
|  | <u>Net profit for the year .....</u>    | <u>\$ 827,358</u>   |
| Earned surplus, beginning of year .....                    | 2,179,863                               | 1,836,476           |
|  | <u>\$ 2,688,240</u>                     | <u>\$ 2,663,834</u> |
| Less dividends declared .....                              | 461,151                                 | 483,971             |
| Earned surplus, end of year .....                          | <u>\$ 2,227,089</u>                     | <u>\$ 2,179,863</u> |

### Statement of Paid-In Surplus

|   |                 |                 |
|---|-----------------|-----------------|
| Balance, beginning of year .....  | \$ 1,875        | \$ Nil          |
| Excess of proceeds of sales of shares during the year<br>over par value thereof ..... | 1,250           | 1,875           |
| Balance, end of year .....  | <u>\$ 3,125</u> | <u>\$ 1,875</u> |

See accompanying notes to consolidated financial statements



# THE CROW'S NEST PASS COAL COMPANY, LIMITED

## AND WHOLLY-OWNED SUBSIDIARY COMPANIES

### Statement of Source and Application of Funds

FOR THE YEAR ENDED DECEMBER 31, 1962

#### SOURCE OF FUNDS:

##### Operations —

|  |            |              |
|--|------------|--------------|
| Net profit for the year .....                          | \$ 508,377 |              |
| Depreciation and depletion .....                       | 744,580    |              |
| Income tax reductions applicable to future years ..... | 169,071    |              |
| Reduction in strip mining prepayments .....            | 110,856    | \$ 1,532,884 |

|  |         |                     |
|--|---------|---------------------|
| Receipt of loan under Coal Production Assistance Act ..... | 450,000 |                     |
| Exercise of common share options .....                     | 3,250   | 453,250             |
|  |         | <u>\$ 1,986,134</u> |

#### APPLICATION OF FUNDS:

|   |           |                   |
|---|-----------|-------------------|
| Acquisition costs of P. & N. G. properties .....                              | \$ 2,019  |                   |
| Expenditures on plant and equipment .....                                     | 1,259,996 |                   |
| Provision for repayment of loan under Coal<br>Production Assistance Act ..... | 150,000   |                   |
| Purchase of shares of other companies .....                                   | 423,563   |                   |
| Mortgage advances (net) .....   | 10,357    |                   |
| Deposits .....  | 3,587     |                   |
| Dividends to shareholders .....   | 461,151   | 2,310,673         |
|   |           | <u>\$ 324,539</u> |
| Decrease in working capital .....   |           |                   |



# THE CROW'S NEST PASS COAL COMPANY, LIMITED

## AND WHOLLY-OWNED SUBSIDIARY COMPANIES

### Notes to Consolidated Financial Statements

DECEMBER 31, 1962

1. Accounting practices:

The Companies follow the practice of capitalizing the acquisition costs of oil properties and of charging exploration expenses, carrying charges on properties and the drilling costs of wells against income as incurred. Expenditures on productive wells during 1962 were not material in amount. Depletion of productive oil properties is provided on the unit of production method based on estimated reserves of oil and gas.

Based on the Company's estimate of recoverable reserves of coal, a charge for depletion would be immaterial in amount and accordingly no provision for depletion of coal properties is included in the accounts.

Depreciation of fixed assets is provided on the reducing balance method at rates designed to amortize the costs of these assets over their estimated useful life.

2. Fixed assets:

Columbia Iron Mining Company, a subsidiary of United States Steel Corporation, was granted an option exercisable to May 1, 1964 to purchase either a substantial portion or all of the Company's coal lands. Subsequent to December 31, 1962, notification has been received from Columbia Iron Mining Company that the option would not be exercised.

Fixed assets are carried at cost, or, in the case of certain assets owned by two of the subsidiaries, at the values at which they were appraised in 1943, which is less than cost.

3. Loan Payable:

|  |           |
|--|-----------|
| 3½% Dominion of Canada Coal Production Assistance Act loan repayable at 30¢ per ton of coal produced from certain mines with minimum annual payments of \$150,000, against which certain Government of Canada bonds and fixed assets are pledged as collateral ..... | \$450,000 |
| Less instalments due within one year included in current liabilities .....   | 150,000   |
|  | <hr/>     |
|  | \$300,000 |

4. Income taxes:

The income taxes payable in respect of 1962 amount to \$385,514. The difference of \$169,071 between this and the taxes charged against income results from claiming for tax purposes an amount greater than the depreciation charged in the companies' accounts. This difference is applicable to those future years in which the amounts claimed for tax purposes will be less than the depreciation recorded in the accounts and is accordingly included in the balance sheet in the item "Accumulated tax reductions applicable to future years".

5. Capital stock:

24,375 shares of the Company's capital stock have been reserved under a stock option plan. Options have been granted under the plan to officers of the Company to purchase 17,625 shares of capital stock at prices ranging from \$12.00 to \$20.00 per share. The options are exercisable in annual instalments on a cumulative basis while in the employ of the company.

During the year 250 shares of a par value of \$8 each were issued for a cash consideration of \$3,250. Of this amount, \$2,000 was credited to share capital account and the balance to paid-in surplus.

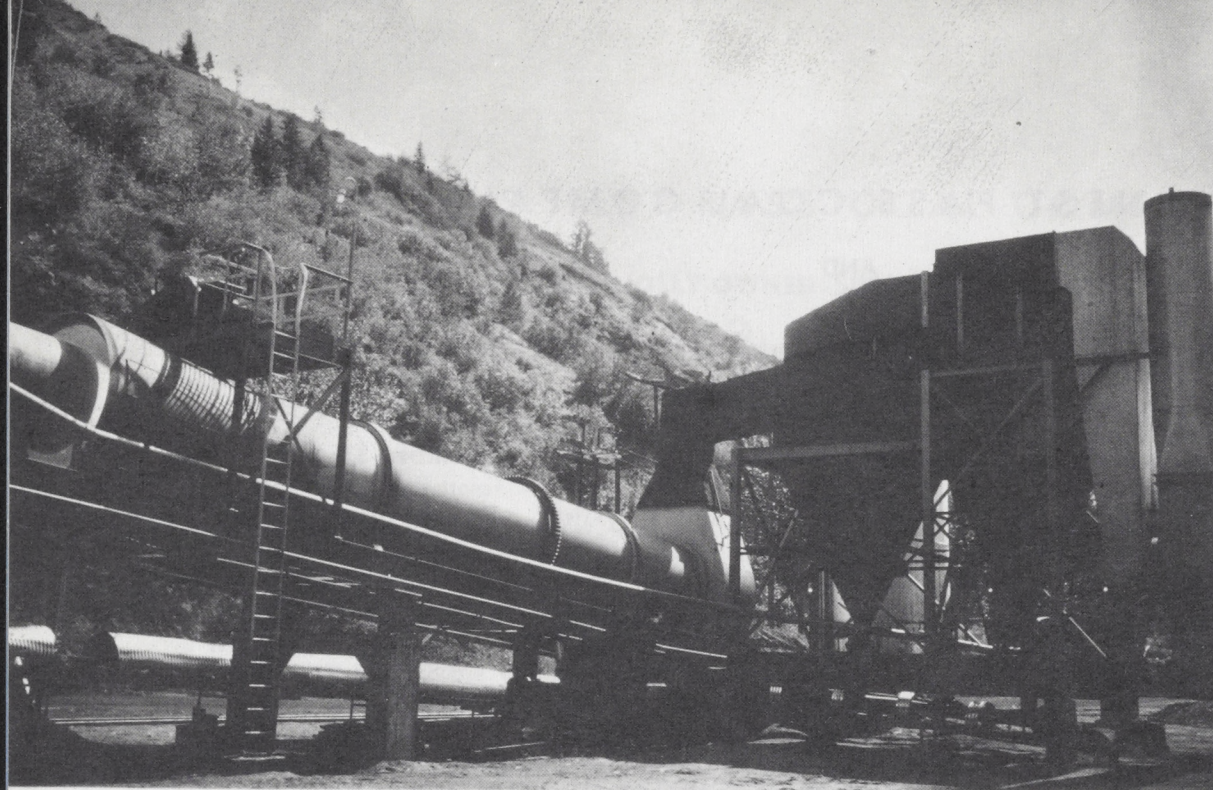


**THE CROW'S NEST PASS COAL COMPANY, LIMITED**  
**AND**  
**THE CROW'S NEST PASS OIL & GAS COMPANY, LIMITED**  
**(WHOLLY-OWNED SUBSIDIARY)**

**Statistical Summary of Oil and Gas Operations From Inception to December 31, 1962**

|  | The Crow's Nest<br>Pass Coal<br>Company, Limited | The Crow's Nest<br>Pass Oil & Gas<br>Company, Limited | Total               |
|--|--|---|---------------------|
| We have expended to December 31, 1962 —  |  |   |                     |
| On acquisition of oil and gas properties .....   | \$ 1,240,494                                     | \$ 14,451   | \$ 1,254,945        |
| On drilling and development .....  | 1,541,616  | 1,038,125   | 2,579,741           |
| On plant and equipment .....   | 814,914  | 338,477   | 1,153,391           |
|  | <u>\$ 3,597,024</u>                              | <u>\$ 1,391,053</u>                                   | <u>\$ 4,988,077</u> |
| Balance of plant and equipment available for Capital Cost allowance under the Income Tax Act .....   | \$ 250,167                                       | \$ 67,384   | \$ 317,551          |
| Balance of drilling and development available for write-off under the Income Tax Act .....   | nil  | 100,443   | 100,443             |
| For this expenditure we have acquired net percentage interests as shown:   |  |   |                     |
| 1. Pembina-Buck Lake Area ..... 189 wells  | 2.953 %  | 3.375 %   | 6.328 %             |
| 2. Pembina-Buck Lake Area ..... 5 wells  | 1.969 %  | 2.250 %   | 4.219 %             |
| 3. Section 13 Buck Creek Unit ..... 8 wells  | 10. %  |   | 10. %               |
| 4. Minnehik Gas ..... 4 wells  | 1.6398 %   | 1.8759 %  | 3.5157 %            |
| 5. North Pembina Cardium Unit No. 1 ..... 564 wells  | 0.14502 %  |   | 0.14502 %           |
| 6. Burbank Joffre Area Viking Unit ..... 49 wells  | 4.569 %  |   | 4.569 %             |
| Nisku D2 ..... 1 well  | 15. %  |   | 15. %               |
| ..... 7 wells  | 20. %  |   | 20. %               |
| 7. Nevis Gas Unit ..... 11 wells   | 0.6975 %   |   | 0.6975 %            |
| 8. Stettler Unit ..... 78 wells  |  | 0.2535 %  | 0.2535 %            |
| 9. Swan Hills ..... 6 wells  | 10. %  |   | 10. %               |
| 10. Alhambra ..... 2 wells   | 6.666 %  |   | 6.666 %             |
| 11. Various holdings of undeveloped and non-Producing properties   |  |   |                     |
| Our original drilled reserve (as estimated by our associates in oil operations) were .....   | bbls<br>4,541,900                                | bbls<br>3,297,829                                     | bbls<br>7,839,729   |
| Recovered to date .....  | 1,272,698  | 806,395   | 2,079,093           |
|  | <u>3,269,202</u>                                 | <u>2,491,434</u>                                      | <u>5,760,636</u>    |
| Balance of reserves at December 31, 1962 .....   |  |   |                     |
| Our Net Income after deduction of operating expenses but before write-off of drilling and development, depletion and depreciation amounted to: |  |   |                     |
| 1955 and prior .....   | \$ 132,546                                       | \$ 165,338  | \$ 297,884          |
| 1956 .....   | 321,036  | 290,031   | 611,067             |
| 1957 .....   | 348,536  | 219,168   | 567,704             |
| 1958 .....   | 312,995  | 166,221   | 479,216             |
| 1959 .....   | 294,863  | 163,901   | 458,764             |
| 1960 .....   | 319,487  | 146,415   | 465,902             |
| 1961 .....   | 333,266  | 158,881   | 492,147             |
| 1962 .....   | 300,555  | 149,261   | 449,816             |
|  | <u>\$ 2,363,284</u>                              | <u>\$ 1,459,216</u>                                   | <u>\$ 3,822,500</u> |





*Fine Coal Cleaning Plant—Pritt Dryer (Capacity 180T/Hr.)*



*Shuttle Car Discharges Coal onto Slope Belt (Side View)*





*Close-up of By-Product Plant*



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